



Tennessee State Board of Accountancy
Department of Commerce and Insurance

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MINUTES

TENNESSEE STATE BOARD OF ACCOUNTANCY MEETING

June 28, 2004

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee, on Monday, June 28, 2004, at 10:30 a.m.

Members present were David Curbo, Chairman; Micheal Vaughn, Vice-Chairman; Mark King, Secretary; Dan Johnson, Charles Frasier, Mark Layne, Kenneth Cozart, Max Haught and Robert Davidson. Also present were Linda Biek, Executive Director; M. Connaught O'Connor, Staff Counsel; Leona Johnson, Administrative Assistant III; Dan Syriac, Administrative Manager; Brad Floyd, Executive Director for TSCPA; Mary Moody, General Counsel for Commerce and Insurance; Paula Wade, Information Officer for Commerce and Insurance; Allison Zane, Regulatory Board Attorney and Tom Humphreys, reporter for the Knoxville News Sentinel.

David Curbo called the meeting to order at 10:30 a.m. in a closed executive session with Mary Moody, General Counsel for Commerce & Insurance and Connaught O'Connor, Staff Counsel. Everyone was asked to leave for this session except for the Board Members.

LUNCH BREAK

David Curbo Reconvened the meeting at 12:45 p.m. Mr. Curbo welcomed Robert Davidson to our Board as a new Board Member. He then presented L. Dan Johnson with a plaque recognizing Mr. Johnson's service as prior Chairman for the Board and thanked Mr. Johnson for his service.

Dan Johnson made a motion to approve the minutes from the March 26, 2004 meeting. Mike Vaughn seconded the motion; it was voted on and approved.

Mr. Curbo informed the Board Members that the Executive Committee's terms will end on June 30, 2004 and he opened the floor for nominations. Dan Johnson nominated Mike Vaughn for Chairman. Robert Davidson seconded the motion; it was voted on and approved. Dan Johnson nominated Mark King for Vice-Chairman. Mark Layne seconded the motion; it was voted on and approved. Dan Johnson nominated Charles Frasier for Secretary. Max Haught seconded the motion; it was voted on and approved.

Linda Biek presented the **Executive Director's Report:** (see attached report)

- 1) Ms. Biek informed the Board that 3 members terms will expire on June 30, 2004; Charles Frasier, Mark King and Mark Layne. She recognized each member for their service to the Board by presenting each of them with a service award and extended the Board's gratitude for a job well done.
- 2) The next Board Meeting is scheduled for Monday August 23, 2004. Also, mark your calendars for meetings on November 22, 2004 and January 24, 2005. An April Board Meeting was

requested instead of a March meeting. The Board agreed on April 29, 2005. Ms. Biek asked the Board Members if they were interested in scheduling the June 2005 meeting along with the TSCPA annual convention in Johnson City. The Board agreed to schedule the June 2005 meeting for the Tuesday before the TSCPA meeting, which is June 21, 2005. Ms. Biek will work on getting that date and location approved and will report back to the Board.

3) Topics for discussion:

- See handout #1; discussion on how to handle reciprocal licensees who are disciplined by another state. The Board agreed to have the CPE Committee review each case individually and make decisions per case.
- See handout #2; discussion of the work time required of non-CPA owners in a firm. Mark King read the Peer Review Committee's recommended policy. Connaught O'Connor recommended to the Board to put this in a rule. Mike Vaughn motioned for the Board to defer this discussion till later in the agenda. It was voted on and approved.
- See handout #3; discussion of the Focus Questions took place. After much discussion the Board agreed that 62-1-116 of the Tennessee Accountancy Law is clear that you must have client permission to do outsourcing; the client would sign and agree to in the engagement letter. Also, there must be a written service provider agreement with the firm to maintain confidentiality. Linda will write an article to be published in the TSCPA news letter to clarify the Boards interpretation and position.
- Discussion took place regarding what constitutes an 'attempt' in regards to the CPA examination including rule 0020-1-.06(1). The Board Members agreed that if an individual sits down and turns on the computer that is an attempt to sit. Linda will write an article with multiple examples to be published in the TSCPA news letter; the article will be sent to the Executive Committee prior to publishing.
- Discussion took place regarding a Texas CPA who has moved to Tennessee and would like to get a reciprocal CPA certificate. This individual was exempted from the Law portion of the exam in Texas having passed the Bar Exam. Mike Vaughn made a motion that the Board rely on Rule 0020-1-.06(8)(d) to allow the Texas licensee in practice since 1990 to receive a Tennessee reciprocal CPA certificate. Robert Davidson seconded the motion; it was voted on and approved.
- Discussion took place regarding the question as to whether a CPA firm can receive referral fees from officers of attest clients. The Board agreed to have the Executive Committee research this and report back to the Board.
- See handout #4; discussion of the Accreditation Council for Accountancy & Taxation release. The Board Members agreed to rely on T.C.A. 62-1-113(g) reserving the term accountant for CPA's only in Tennessee and Linda will send a letter to the organization to inform them.

4) Will the Board approved the printing of an updated Law and Rule book and a September news letter? After some discussion, this request will be put on hold until the Board Members review the budget in more detail.

5) See handout #5; the presented budget was discussed along with the fund balance. Dan Johnson motioned to defer approval of the budget over to the Executive Committee. Charles Frasier recommended the Board receive a comparative budget for the past couple of years. Max Haught seconded the motion; it was voted on and approved.

6) See handout #6; discussion took place regarding the release of CPA exam scores relating to the process and timing of such. The Board requested that Linda contact NASBA and ask them to notify the candidates of the process and the timing of the exam scores. Also, the Board agreed to add an informational note on our website.

7) Linda informed the Board Members that we do not currently have anyone on a NASBA Committee, if anyone is interested in applying please let her know. Mark King informed the

Board that he has submitted an application; however NASBA is waiting to see if he gets reappointed to the Board. Charles Frasier asked Linda to send an e-mail to all Board Members listing the open Committee positions.

- 8) Ms. Biek informed the Board that she has been serving on the Accounting Licensee Database Task Force for NASBA. If anyone has any questions or concerns that they would like her to take to the July meeting, please let her know. Mark King would like information on the confidentiality and security of the program. Also, how are they going to ensure accuracy of information?
- 9) NASBA's Regional Conference was held in Orlando, Florida on June 23-25.
 - Mark King and Kenneth Cozart offered a brief report to the Board. New CPE rules will require 80 hours of A & A every 2 years for those who perform yellow book audits.
 - See handout #7; Accountancy Regulation Cases report put together by Noel Allen, NASBA's Legal Counsel.
- 10) The 4-page CPA renewal form used last year present unforeseen problems and delays; therefore the staff requests approval to return to the 2-page renewal form. After some discussion, the Board agreed to have the Executive Committee approve the form once it is designed.
- 11) There were thirty three grade review requests from the November 2003 exam. However, no grades were changed.
- 12) An Investigator for the Board has been identified and a request has been forwarded to the Department of Personnel for approval.

See handout #8; please review the highlights from the NASBA Board of Directors meeting on April 23, 2004.

Charles Frasier presented the **CPE Committee Report:**

- 1) The Committee discussed conditional status regarding the CPA exam, which the Board previously discussed in the meeting.
- 2) Charles Frasier made a motion to approve the issuance of 72 new CPA certificates and 20 reciprocal CPA certificates whose experience and other qualifications have been approved by the Board's staff. Dan Johnson seconded the motion; it was voted on and approved.

Mark King presented the **Peer Review Committee Report:**

- 1) 443 firms have been selected for peer review. 233 have been scheduled, are completed or have been exempted. 210 firms have not responded to the notices and will be sent a reminder notice on September 1, 2004. The Committee approved 13 firms' request for exemption status.
- 2) Mark advised that 24 new firms have been processed since the last Board Meeting and made a motion for the Board to approve these firms. Mike Vaughn seconded the motion; it was voted on and approved.
- 3) Mark King motioned to the Board to approve the Committee's definition of "active participant" as policy. After some discussion, Mike Vaughn found the previous definition policy approved and Mark King withdrew the motion. The Board agreed to continue to use the definition policy already in place.

Connaught O'Connor presented the **Attorney's Report / Probable Cause Committee Report:**
(See Copy Attached)

- New Case #48 – Reviewer, Robert Davidson, recommended the issuance of a consent order with a \$500 civil penalty, require the firm to register and pay all back fees, and require the firm to supply proof of a peer review (report letter and acceptance letter) or provide the work papers from the audit for the Board's review.
- New Case #10 – Reviewer, Mark King, recommended to dismiss.
- New Case #18 – Reviewer, Robert Davidson, recommended the issuance of a consent order with a \$250 civil penalty, staff to check for required CPE and reinstate or return certificate to active status.

Mike Vaughn motioned to approve the report and the reviewer's recommendations. Charles Frasier seconded the motion; it was voted on and approved.

There was a brief discussion regarding Florida CPA and Firms being charged \$400. Rules 0020-1-.04 and 0020-1-.13 were discussed. Dan Johnson made a motion to continue to charge out of state residents who want to temporarily practice in Tennessee, according to rule 0020-1-.13, what those states charge Tennessee CPAs and Firms to practice in their state. Robert Davidson seconded the motion; it was voted on and approved.

There being no further business to come before the Board the meeting was adjourned.

CHAIRMAN

SECRETARY